

STATEMENT OF SENATOR JOHN McCain
CHAIRMAN, SENATE COMMITTEE ON
COMMERCE, SCIENCE, AND TRANSPORTATION
AVIATION SUBCOMMITTEE HEARING
ON DOMESTIC AND INTERNATIONAL AIRLINE ALLIANCES
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Thank you, Mr. Chairman. I appreciate your holding this hearing. The consumer impact of close cooperation in the domestic airline industry is an important issue. The recent announcements by six major domestic airlines of their intentions to form three mega-alliances have caused a great deal of concern among consumers.

Although the Transportation and Justice Departments will review each alliance proposal, Chairman Gorton and I have asked the General Accounting Office to report on the competitive implications of airline industry alliances, given all three proposals. I look forward to hearing the preliminary observations of the GAO today.

Let me say again that the news of these consolidations only heightens my desire to move forward with pro-consumer legislation to promote new airline entry. We have worked hard over the past year or so to make changes in an aviation environment that suffers from institutional impediments to competition, such as slot controls and perimeter rules.

I respect the major airlines' innovations in risk reduction, as they implement initiatives to expand and compete globally. Clearly they recognize the advantages of economies of scale, and have embarked on a worthwhile effort to convince us of the corresponding consumer benefits.

In turn, however, I hope that these international carriers can respect our efforts to ensure a healthy domestic airline industry. The U.S. government has conferred many advantages on the airline industry, especially in its international focus. We cannot simply step aside and allow these advantages to be used to quash domestic competitors.

As I stated at this subcommittee's recent hearing on DOT's competition guidelines, potential consolidation in the industry, and its competitive impact on air travelers, are difficult issues to grasp. Resurfacing are the reservations I expressed when we first embarked on this course by endorsing international airline alliances. Of course, some of the anti-competitive effects of international partnerships are sufficiently balanced by the benefits of open skies agreements.

Passengers may ultimately benefit from cooperation among U.S. competitors. Nevertheless, we need to understand all of the implications. If we discover that an

alliance is harmful to competition after it has been implemented, subsequently imposing conditions or remedies could be difficult at best. The European Commission's action in this regard is particularly troubling, without clear evidence that the EC is safeguarding the consumer in its efforts.

Turning to the United Kingdom, I would like to join the distinguished Senator from Tennessee, Dr. Frist, in urging our government to move forward on open skies negotiations with Britain. Senator Frist recently wrote to Secretary Slater to encourage him to reengage the U.K. on this issue. I have been speaking out on this situation for many years. It is disappointing that the transatlantic market continues to be constrained by the anti-competitive Bermuda 2 bilateral agreement.

Thank you, Mr. Chairman, and I thank all of our witnesses today for their contributions.